

Better ad climate gives Gannett a boost

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A USA Today newspaper is seen on a stand in Long Beach, California. An improved advertising climate helped USA Today owner Gannett Co. double its quarterly net profit Friday as credit rating agency Moody's changed its outlook for the newspaper sector to stable from negative.

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Shares of Gannett, the biggest newspaper chain in the United States, rose in early trading on Wall Street, gaining 2.87 percent to 18.66 dollars.

The McLean, Virginia-based Gannett posted a [net profit](#) of 119.4 million dollars in the first quarter, 51 percent more than the 57 million dollars in the same quarter a year ago.

Adjusted earnings per share of 50 cents were double the 25 cents per share of a year ago and better than the 41 cents expected by Wall Street analysts.

Operating [revenue](#) fell 4.1 percent to 1.3 billion dollars in the quarter.

[Advertising revenue](#) in the publishing division fell 7.9 percent in the first quarter to 665.9 million

dollars but was offset by an improved performance from Gannett's broadcast properties.

The drop was significantly lower than last quarter, when advertising revenue in the publishing division fell 17.9 percent year-on-year, or a year ago when it plunged 34.1 percent.

Digital operating revenue fell 1.8 percent in the quarter to 140.6 million dollars mainly due to weak demand at employment site CareerBuilder.

Like other US newspapers, Gannett has been grappling with declining [print advertising](#) revenue, falling circulation and the migration of readers to free news online. The company carried out a wave of cost-cutting last year slashing hundreds of jobs.

"We achieved very strong results for the quarter," Gannett president and chief executive Craig Dubow said in a statement. "The momentum we had at the end of last year continued through the first quarter."

"We are well positioned for continued growth as the economy improves and we are extremely encouraged by the revenue trends," he said.

Dubow said Gannett reduced its debt by 260 million dollars in the quarter.

In a conference call with analysts, he said USA Today's currently free application for the iPad had been downloaded more than 175,000 times.

Gannett publishes 83 daily newspapers and more than 650 magazines and non-daily publications, and operates 23 television stations in the United States. Gannett's British operation, Newsquest, publishes 17 daily newspapers and more than 200 weekly newspapers, magazines and trade publications.

Credit rating agency Moody's Investors Service said meanwhile it was changing its outlook for the US newspaper industry to stable from negative.

"The change to a stable outlook reflects Moody's expectation that a cyclical recovery in advertising spending will moderate newspaper revenue declines as 2010 progresses and lead to a more stable revenue environment in 2011," Moody's said.

"Moody's anticipates that newspaper advertising revenue will decline in a 5-10 percent range in 2010, but that revenue should be closer to flat toward the end of the year," it said.

Moody's cautioned that "longer-term pressure from advertiser shifts" will "likely prompt a return to a negative sector outlook once the benefit from the cyclical snapback in advertising subsides."

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